

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* VILLAGE OF CARO	County* TUSCOLA	Type* VILLAGE	MuniCode* 79-3-020
Opinion Date-Use Calendar* Sep 5, 2008	Audit Submitted-Use Calendar* Oct 9, 2008	Fiscal Year End Month* 08	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> 7	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 7	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> 7	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 7	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 7	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 7	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 7	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> 7	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 7	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> 7	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> 7	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 7	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> 7	15. Has the local unit complied with GASBS and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 7	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 7	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> 7	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 1,735,138.00
General Fund Expenditure:	<input type="checkbox"/> \$ 1,684,228.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 1,802,115.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 454,829.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GARY	Last Name* ANDERSON	Ten Digit License Number* 1101005446		
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CPA Firm Name* ANDERSON, TUCKEY, BERNARD	Unit's Street Address* 317 S. STATE ST	Unit's City* CARO	Unit's Zip* 48723	

VILLAGE OF CARO
REPORT ON FINANCIAL STATEMENTS
(With Additional Information)
June 30, 2008

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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September 5, 2008

REPORT OF INDEPENDENT AUDITORS

Honorable Village Council
Village of Caro
Caro, Michigan 48723

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Caro, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the primary government of Village of Caro, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages I through VII and budgetary comparison information on pages 24 - 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caro's basic financial statements. The additional information on pages 29 and thereafter is presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

Our discussion and analysis of the Village of Caro's financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The fund balance in the General Fund decreased from \$1,839,441 to \$1,802,115.
- State-shared revenue, the Village's second largest General Fund revenue source, was reduced by the State of Michigan by \$12,550 representing a 2.88% decrease from the prior fiscal year. However, the \$422,403 received from the State of Michigan was below the budgeted projection by \$4,301.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

The Village as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Current assets	\$ 3,522,464	\$ 1,260,140	\$ 281,442	\$ 5,064,046
Noncurrent assets	10,173,827	18,524,810	1,688,043	30,386,680
Total assets	<u>\$ 13,696,291</u>	<u>\$ 19,784,950</u>	<u>\$ 1,969,485</u>	<u>\$ 35,450,726</u>
Current liabilities	97,416	704,160	125,210	926,786
Long-term liabilities	408,523	7,713,219	575,874	8,697,616
Total liabilities	<u>\$ 505,939</u>	<u>\$ 8,417,379</u>	<u>\$ 701,084</u>	<u>\$ 9,624,402</u>
Net assets:				
Invested in capital assets -				
Net of related debt	\$ 9,788,281	\$ 10,124,639	\$ 1,024,624	\$ 20,937,544
Restricted	-	-	-	-
Unrestricted (deficit)	3,402,071	1,242,932	243,777	4,888,780
Total net assets	<u>\$ 13,190,352</u>	<u>\$ 11,367,571</u>	<u>\$ 1,268,401</u>	<u>\$ 25,826,324</u>

The Village's combined net assets increased from \$25,362,568 a year ago to \$25,826,324.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$3,402,071 in the governmental activities.

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

The following table shows, in a condensed format, the net assets as of June 30, 2007 were:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>	<u>Total</u>
Current assets	\$ 3,374,094	\$ 1,119,475	\$ 154,159	\$ 4,647,728
Noncurrent assets	<u>9,714,001</u>	<u>13,426,952</u>	<u>1,759,008</u>	<u>24,899,961</u>
Total assets	<u>\$13,088,095</u>	<u>\$ 14,546,427</u>	<u>\$1,913,167</u>	<u>\$ 29,547,689</u>
Current liabilities	85,981	368,830	84,516	539,327
Long-term liabilities	<u>137,662</u>	<u>2,852,323</u>	<u>655,809</u>	<u>3,645,794</u>
Total liabilities	<u>\$ 223,643</u>	<u>\$ 3,221,153</u>	<u>\$ 740,325</u>	<u>\$ 4,185,121</u>
Net assets:				
Invested in capital assets -				
Net of related debt	\$ 9,623,464	\$ 9,523,700	\$1,019,959	\$ 20,167,123
Restricted	335	-	-	335
Unrestricted (deficit)	<u>3,240,653</u>	<u>1,801,574</u>	<u>152,883</u>	<u>5,195,110</u>
Total net assets	<u>\$12,864,452</u>	<u>\$ 11,325,274</u>	<u>\$1,172,842</u>	<u>\$ 25,362,568</u>

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

The following table shows the changes of the net assets for the year ended June 30, 2008:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Net Assets - Beginning of Year	\$ 12,864,452	\$ 11,325,274	\$ 1,172,842	\$ 25,362,568
Revenue				
Program revenue:				
Charges for services	828,260	1,722,333	44,378	2,594,971
Operating grants and contributions	-	-	156,509	156,509
Capital grants and contributions	-	2,978	-	2,978
General revenue:				
Property taxes	1,536,209	-	232,965	1,769,174
Intergovernmental revenue	754,911	-	-	754,911
Investment earnings	78,903	34,056	-	112,959
Sale of assets	-	-	-	-
Miscellaneous	131,015	32,737	17,511	181,263
Net transfers	23,481	-	(23,481)	-
Total revenue	3,352,779	1,792,104	427,882	5,572,765
Program Expenses				
General government	403,773			403,773
Road maintenance and repair	440,164			440,164
Health and sanitation	394,145			394,145
Public safety	1,065,067			1,065,067
Public works	215,471	1,749,807		1,965,278
Culture and recreation	138,875			138,875
Community development	41,919		332,323	374,242
Depreciation	294,730			294,730
Interest on long-term debt	32,735			32,735
Total expenses	3,026,879	1,749,807	332,323	5,109,009
Change in Net Assets	325,900	42,297	95,559	463,756
Net Assets - End of Year	\$ 13,190,352	\$ 11,367,571	\$ 1,268,401	\$ 25,826,324

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

The following table shows the changes of the net assets for the year ended June 30, 2007:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Net Assets - Beginning of Year	\$ 12,523,557	\$ 8,821,435	\$ 1,120,541	\$22,465,533
Revenue				
Program revenue:				
Charges for services	915,739	1,486,637	23,600	2,425,976
Operating grants and contributions	18,132	-	-	18,132
Capital grants and contributions	-	2,512,846	-	2,512,846
General revenue:				
Property taxes	1,502,248	-	215,314	1,717,562
Intergovernmental revenue	796,113	-	-	796,113
Investment earnings	75,580	49,171	-	124,751
Sale of assets	(69,518)	-	-	(69,518)
Miscellaneous	99,420	29,228	18,420	147,068
Net transfers	34,310	-	(34,310)	-
Total revenue	3,372,024	4,077,882	223,024	7,672,930
Program Expenses				
General government	377,156			377,156
Road maintenance and repair	434,467			434,467
Health and sanitation	388,747			388,747
Public safety	1,052,777			1,052,777
Public works	221,687	1,574,043		1,795,730
Culture and recreation	180,654			180,654
Community development	35,366		170,723	206,089
Depreciation	303,922			303,922
Interest on long-term debt	36,353			36,353
Total expenses	3,031,129	1,574,043	170,723	4,775,895
Change in Net Assets	340,895	2,503,839	52,301	2,897,035
Net Assets - End of Year	\$ 12,864,452	\$ 11,325,274	\$ 1,172,842	\$25,362,568

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Funds. The Village provides water to residents from seven ground water wells. Sewage treatment is provided through a Village-owned and operated sewage treatment plant.

The Water Fund had a net income of \$78,480, and its cash flow increased by \$73,979. Revenues for the fund were down about 0.5%.

The Sewer Fund had a net loss of \$39,161 on revenues of \$927,592. Revenues were up about 35.7%. Cash flow for the Sewer Fund increased by \$76,713. At June 30, 2008, the Village had spent \$5,591,035 of the \$7,730,000 planned on WWTP Improvements.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year include the General, Major Street and Trunkline, Local Street, Refuse, and Fire Funds.

The General Fund pays for most of the Village's governmental services. The most significant are Public Safety and Public Works and Recreation, which incurred expenses of approximately \$1.1 million in the current fiscal year. These costs and the remaining \$600,000 cost of the other General Fund departments are funded by real and personal property taxes other general revenue sources of the General Fund.

General Fund Budgetary Highlights

Overall, revenues in the General Fund were more than the budget by \$30,430.

Village departmental expenses in the General Fund overall spent less than budget projections by \$168,490.

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis For the Year Ended June 30, 2008

Capital Asset and Debt Administration

As of June 30, 2008, the Village had a total of approximately \$30.4 million (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Debt service makes up approximately 3.8% of the total governmental expenditures. Bonded and other long-term obligations increased by \$5,419,597 for all funds.

More detailed information concerning capital assets and long-term debt can be found in Notes 8 and 7, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The WWTP Improvement project will cost in excess of \$7 million and will be financed through the issuance of bonds. The interest rate will be 1.625%. Due to this project, the sewer charge per 1,000 gallons is increasing to \$7.52 effective August 1, 2008 from \$5.03.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CARO
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Reporting Entity
	Governmental Activities	Business-type Activities	Total	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,877,531	\$ 1,218,292	\$ 4,095,823	\$ 4,345,374
Receivables (net)	149,592	210,583	360,175	392,066
Internal balances	212,900	(212,900)	-	-
Inventories		36,394	36,394	36,394
Prepaid interest		7,771	7,771	7,771
Prepaid expenses	35,906		35,906	35,906
Land contract receivable	246,535		246,535	246,535
Total current assets	3,522,464	1,260,140	4,782,604	5,064,046
Noncurrent assets:				
Capital assets, net of depreciation	4,884,336	12,250,836	17,135,172	18,180,374
Land	466,051	-	466,051	749,464
Land improvements, net of depreciation	4,790,450		4,790,450	5,149,878
Construction in progress	32,990	6,273,974	6,306,964	6,306,964
Total noncurrent assets	10,173,827	18,524,810	28,698,637	30,386,680
TOTAL ASSETS	\$ 13,696,291	\$ 19,784,950	\$ 33,481,241	\$ 35,450,726
LIABILITIES				
Current liabilities:				
Accounts payable, accrued & other liabilities	\$ 43,739	\$ 17,208	\$ 60,947	\$ 92,920
Accrued interest payable	252	40,746	40,998	48,608
Deferred revenue	7,119	-	7,119	12,811
Current maturities of long-term debt	46,306	646,206	692,512	772,447
Total current liabilities	97,416	704,160	801,576	926,786
Noncurrent liabilities:				
Noncurrent portion of long-term debt	338,988	7,713,219	8,052,207	8,628,081
Accumulated compensated absences	69,535		69,535	69,535
Total noncurrent liabilities	408,523	7,713,219	8,121,742	8,697,616
TOTAL LIABILITIES	505,939	8,417,379	8,923,318	9,624,402
NET ASSETS				
Invested in capital assets, net of related debt	9,788,281	10,124,639	19,912,920	20,937,544
Restricted for:				
Debt service	-		-	-
Unrestricted	3,402,071	1,242,932	4,645,003	4,888,780
TOTAL NET ASSETS	13,190,352	11,367,571	24,557,923	25,826,324
TOTAL LIABILITIES AND NET ASSETS	\$ 13,696,291	\$ 19,784,950	\$ 33,481,241	\$ 35,450,726

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenues			Reporting Entity
	Charges for Services	Operating Grants and Contributions		Primary Government		Component Unit	
		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Primary Government							
Governmental activities:							
General government	\$ 403,773	\$ 25,098		\$ (378,675)	-	\$ (378,675)	\$ (378,675)
Road maintenance and repair	440,164	-		(440,164)	-	(440,164)	(440,164)
Health and sanitation	394,145	354,568		(39,577)	-	(39,577)	(39,577)
Public safety	1,065,067	448,594		(616,473)	-	(616,473)	(616,473)
Public works	215,471			(215,471)	-	(215,471)	(215,471)
Culture and recreation	138,875			(138,875)	-	(138,875)	(138,875)
Community development	41,919			(41,919)	-	(41,919)	(41,919)
Depreciation	294,730			(294,730)	-	(294,730)	(294,730)
Interest on long-term debt	32,735			(32,735)	-	(32,735)	(32,735)
Total governmental activities	3,026,879	828,280	-	(2,198,619)	-	(2,198,619)	(2,198,619)
Business-type activities:							
Water	771,116	823,596	\$ 2,978		\$ 55,458	55,458	55,458
Sewage disposal	878,691	898,737	-		(79,954)	(79,954)	(79,954)
Total primary government	4,776,686	2,550,593	\$ 2,978	(2,198,619)	(24,496)	(2,223,115)	(2,223,115)
Component unit							
Downtown Development Authority	\$ 332,323	\$ 44,378	\$ 156,509		\$ (131,436)		(131,436)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				1,120,351		1,120,351	1,353,316
Property taxes, levied for streets and sanitation purposes				415,858		415,858	415,858
Intergovernmental revenue				754,911		754,911	754,911
Investment earnings				78,903	34,056	112,959	112,959
Sale of assets				-		-	-
Miscellaneous				131,015	32,737	163,752	181,263
Net transfers				23,481		23,481	(23,481)
Total general revenues and transfers				2,524,519	66,793	2,591,312	2,818,307
Change in net assets				325,900	42,287	368,197	463,756
Net assets - beginning				12,864,452	11,325,274	24,189,726	25,362,568
Net assets - ending				\$ 13,190,352	\$ 11,367,571	\$ 24,557,923	\$ 25,826,324

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	GENERAL	MAJOR STREET & TRUNKLINE	LOCAL STREET	REFUSE/ SANITATION	FIRE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>							
Cash	\$ 1,578,149	\$ 287,980	\$ 114,872	\$ 149,335	\$ 65,873	\$ 277,894	\$ 2,474,103
Accounts receivable	62,357	30,284	13,110	34,470	-	4,058	144,279
Taxes receivable	7,120	-	-	313	-	2,014	9,447
Due from other funds	164,000	-	-	-	-	-	164,000
Prepaid expenses	35,906	-	-	-	-	-	35,906
Notes receivable	4,916	-	-	-	-	-	4,916
Allowance for uncollectibles	(9,050)	-	-	-	-	-	(9,050)
TOTAL ASSETS	\$ 1,843,398	\$ 318,264	\$ 127,982	\$ 184,118	\$ 65,873	\$ 283,966	\$ 2,823,601

LIABILITIES & FUND BALANCES

Liabilities:							
Accounts payable	\$ 3,811	\$ 54	-	\$ 14	\$ 110	\$ -	\$ 3,989
Accrued salaries & wages	30,353	1,707	3,023	851	1,418	654	38,006
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	7,119	-	-	-	-	-	7,119
Total Liabilities	41,283	1,761	3,023	865	1,528	654	49,114
Fund Balances:							
Reserved for:							
Debt service	-	-	-	-	-	-	-
Unreserved, reported in:							
General fund	1,634,327	-	-	-	-	-	1,634,327
Designated for community promotion	-	-	-	-	-	-	-
Special revenue funds	167,788	316,503	124,959	183,253	64,345	283,312	167,788
Total Fund Balances	1,802,115	316,503	124,959	183,253	64,345	283,312	2,774,487
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,843,398	\$ 318,264	\$ 127,982	\$ 184,118	\$ 65,873	\$ 283,966	\$ 2,823,601

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF CARO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

	Modified Accrual Basis	Reconciling Items			Full Accrual Basis
	TOTAL GOVERNMENTAL FUNDS	CAPITAL ASSETS & LONG TERM DEBT	COMPENSATED ABSENCES	INTERNAL SERVICE FUNDS	TOTAL
<u>ASSETS</u>					
Cash	\$ 2,474,103			\$ 403,428	\$ 2,877,531
Accounts receivable	144,279				144,279
Taxes receivable	9,447				9,447
Notes receivable	4,916				4,916
Allowance for uncollectible accounts	(9,050)				(9,050)
Due from other funds	164,000			48,900	212,900
Prepaid expenses	35,906				35,906
Land contract receivable		\$ 246,535			246,535
Total Current Assets	2,823,601	246,535	-	452,328	3,522,464
Construction in progress		32,990			32,990
Capital assets:					
Land		466,051			466,051
Land improvements		4,790,915			4,790,915
Depreciable capital assets		6,375,426		1,159,092	7,534,518
Less: Accumulated Depreciation		(1,864,562)		(786,085)	(2,650,647)
Total Non-Current Assets	-	9,767,830	-	373,007	10,140,837
TOTAL ASSETS	\$ 2,823,601	\$ 10,047,355	\$ -	\$ 825,335	\$ 13,696,291
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 3,989			\$ 34	\$ 4,023
Accrued salaries & wages	38,006			1,710	39,716
Accrued interest payable		\$ 252			252
Due to other funds	-				-
Current maturities of long-term debt		46,306			46,306
Deferred revenue	7,119				7,119
Bonds payable - long term		50,087			50,087
Notes payable - long-term		288,901			288,901
Accumulated compensated absences			\$ 69,535		69,535
Total Liabilities	49,114	385,546	69,535	1,744	505,939
Fund Balances:					
Reserved for:					
Debt service	-				-
Unreserved	2,774,487	9,661,809	(69,535)	823,591	13,190,352
Total Fund Balances/Net Assets	2,774,487	9,661,809	(69,535)	823,591	13,190,352
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,823,601	\$ 10,047,355	\$ -	\$ 825,335	\$ 13,696,291

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	MAJOR STREET & TRUNKLINE	LOCAL STREET	REFUSE/ SANITATION
REVENUES				
Taxes	\$ 1,120,351	\$ 91,678	\$ 45,608	\$ 43,020
Licenses & permits	8,785			
Intergovernmental revenues:				
Federal	-	-	-	-
State	452,143	222,763	80,005	-
Charges for services	28,705	-	-	354,568
Fines & forfeitures	2,460			
Miscellaneous	122,694	6,119	14,728	9,109
TOTAL REVENUE	1,735,138	320,560	140,341	408,697
EXPENDITURES:				
Legislative	19,426			
Elections	3,188			
Executive	119,306			
Treasurer	73,007			
Industrial Park	609			
Village buildings & grounds	246,164			
Historical Center	13,245			
Police department	752,554			
Planning & zoning	49,471			
Fire department				
Public works department	215,471			
Refuse department				394,145
Recreation department	149,868			
Community promotion	41,919			
Streets		242,643	199,173	
Miscellaneous				
Debt Service:				
Principal	-			
Interest	-			
TOTAL EXPENDITURES	1,884,228	242,643	199,173	394,145
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	50,910	77,917	(58,832)	12,552
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Sale of assets	10,065			
Operating transfers in	-	-	100,000	-
Operating transfers out	(93,301)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(83,236)	-	100,000	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(37,326)	77,917	41,168	12,552
FUND BALANCE - JULY 1	1,839,441	238,586	83,791	170,701
FUND BALANCE - JUNE 30	\$ 1,802,115	\$ 316,503	\$ 124,959	\$ 183,253

The accompanying footnotes are an integral part of the financial statements.

FIRE	OTHER GOVERNMENTAL FUNDS	TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY)	
		PRIMARY GOVERNMENT	COMPONENT UNITS	JUNE 30, 2008	
	\$ 235,552	\$ 1,536,209	\$ 232,965	\$ 1,769,174	
		8,785		8,785	
	-	-	156,509	156,509	
		754,911	23,600	778,511	
\$ 89,949	-	473,222		473,222	
		2,460		2,460	
36,688	9,335	198,673	38,269	236,962	
126,637	244,887	2,974,280	451,363	3,425,623	
		19,426	-	19,426	
		3,188	-	3,188	
		119,306	-	119,306	
		73,007	-	73,007	
		609	-	609	
		246,164	-	246,164	
		13,245	-	13,245	
		752,554	-	752,554	
		49,471	-	49,471	
496,495		496,495	-	496,495	
		215,471	-	215,471	
		394,145	-	394,145	
		149,868	-	149,868	
		41,919	-	41,919	
	89,570	541,386	-	541,386	
	327	327	266,988	267,315	
	90,000	90,000	-	90,000	
	32,933	32,933	-	32,933	
496,495	222,630	3,236,514	266,988	3,506,502	
(969,658)	22,057	(265,254)	184,375	(80,879)	
315,206	-	315,206	-	315,206	
		10,065	-	10,065	
90,801	122,594	313,395	7,500	320,895	
(21,613)	(100,000)	(219,914)	(100,981)	(320,895)	
384,394	22,594	416,752	(93,481)	325,271	
14,536	44,651	153,486	80,894	244,392	
49,809	238,861	2,620,969	152,883	2,773,872	
\$ 64,345	\$ 283,312	\$ 2,774,487	\$ 243,777	\$ 3,018,264	

VILLAGE OF CARO
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$ 153,498
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives as depreciation expense	
Depreciation expense	(294,730)
Construction in progress	32,990
Capital outlay	721,567
Net book value of assets disposed of	-
Assets sold on a land contract are recorded in the statement of activities when the sale occurs, but are recorded in the governmental funds as the revenue is received.	
Payments received on land contract	(10,065)
Loan proceeds are recorded as an increase in fund balance in governmental funds. This amount is not an increase in net assets because the amount borrowed is reflected as an increase in long-term debt on the Statement of Net Assets.	
	(315,206)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt for capital assets is a reduction of net assets, however, a reduction of the debt increases net assets.	
Principal paid on long-term debt	20,000
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	450
Accrued interest payable at the end of the year	(252)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	67,575
Accrued absences at the end of the year	(69,535)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, motor pool, central services, and retirees health care, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	<u>19,608</u>
Change in net assets of governmental activities	<u>\$ 325,900</u>

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>WATER</u>	<u>SEWAGE DISPOSAL</u>	<u>TOTALS CURRENT YEAR</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
<u>ASSETS</u>				
Cash	\$ 715,909	\$ 502,383	\$ 1,218,292	\$ 403,428
Accounts receivable - net	74,923	135,660	210,583	
Due from other funds	-	-	-	48,900
Inventories	32,651	3,743	36,394	
Prepaid interest	7,771		7,771	
Special assessments receivable	-		-	
Fixed assets	6,988,121	12,938,465	19,926,586	1,158,092
Less accumulated depreciation & amortization	(2,060,226)	(5,615,524)	(7,675,750)	(786,085)
Construction in progress	-	6,273,974	6,273,974	
TOTAL ASSETS	<u>\$ 5,759,149</u>	<u>\$ 14,238,701</u>	<u>\$ 19,997,850</u>	<u>\$ 825,335</u>
<u>LIABILITIES & NET ASSETS</u>				
Liabilities:				
Accounts payable	\$ 14	\$ 106	\$ 120	\$ 34
Customer deposits payable	5,350	-	5,350	
Accrued salaries & wages	4,468	7,270	11,738	1,710
Due to other funds	-	212,900	212,900	
Current maturities of long-term debt	221,566	424,640	646,206	
Accrued interest payable	10,653	30,093	40,746	
Revenue bonds payable - long-term	2,080,904	5,632,315	7,713,219	
Total Liabilities	<u>2,322,955</u>	<u>6,307,324</u>	<u>8,630,279</u>	<u>1,744</u>
Net Assets:				
Invested in capital assets, net of related debt	2,614,772	7,509,867	10,124,639	373,007
Unrestricted	821,422	421,510	1,242,932	450,584
Total Net Assets	<u>3,436,194</u>	<u>7,931,377</u>	<u>11,367,571</u>	<u>823,591</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 5,759,149</u>	<u>\$ 14,238,701</u>	<u>\$ 19,997,850</u>	<u>\$ 825,335</u>

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	WATER	SEWAGE DISPOSAL	TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OPERATING REVENUE:				
Water & sewer system sales	\$ 801,997	\$ 879,642	\$ 1,681,639	
Equipment rent			-	\$ 344,683
Other services, charges & sales	21,599	19,095	40,694	
Interest & penalties	6,670	-	6,670	9,508
Miscellaneous	3,882	28,655	32,737	847
TOTAL OPERATING REVENUE	834,148	927,592	1,761,740	355,038
OPERATING EXPENSES:				
Salaries & wages	143,293	196,863	340,156	49,575
Payroll taxes	10,659	14,762	25,421	3,717
Fringe benefits	43,416	64,558	107,974	8,972
Operating supplies	52,449	74,119	126,568	35,487
General fund administrative	10,000	-	10,000	30,000
Contracted services	75,377	111,929	187,306	2,198
Telephone	1,145	4,068	5,213	415
Insurance	19,513	36,141	55,654	6,657
Heat, light & power	92,946	120,338	213,284	43,116
Depreciation & amortization	212,881	271,843	484,724	77,030
Equipment rental	36,506	47,340	83,846	-
Other	11,320	14,858	26,178	2,957
TOTAL OPERATING EXPENSES	709,505	956,819	1,666,324	260,122
OPERATING INCOME (LOSS)	124,643	(29,227)	95,416	94,916
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	15,448	11,938	27,386	
Interest expense	(61,611)	(21,872)	(83,483)	
Loss on disposal of assets	-	-	-	
TOTAL NON-OPERATING REVENUE (EXPENSES)	(46,163)	(9,934)	(56,097)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	78,480	(39,161)	39,319	94,916
CONTRIBUTED CAPITAL	2,978	-	2,978	-
CHANGE IN NET ASSETS	81,458	(39,161)	42,297	94,916
TOTAL NET ASSETS - JULY 1	3,354,736	7,970,538	11,325,274	728,675
TOTAL NET ASSETS - JUNE 30	\$ 3,436,194	\$ 7,931,377	\$ 11,367,571	\$ 823,591

VILLAGE OF CARO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>WATER</u>	<u>SEWAGE DISPOSAL</u>	<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ 78,480	\$ (39,161)	\$ 39,319	\$ 94,916
ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and Amortization	212,881	271,843	484,724	77,030
CHANGE IN CURRENT ASSETS AND LIABILITIES:				
(Increase) decrease in accounts receivable	4,902	(2,646)	2,256	-
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in accounts payable	(445)	(19,168)	(19,613)	(11,164)
Increase (decrease) in accrued expenses	(582)	(1,705)	(2,287)	560
Increase (decrease) in accrued interest payable	-	21,020	21,020	-
Increase (decrease) in customer deposits payable	(150)	-	(150)	-
Increase (decrease) in due to other funds	-	-	-	-
(Increase) decrease in construction in progress	-	(5,552,617)	(5,552,617)	-
(Increase) decrease in prepaid assets	7,771	7,576	15,347	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>302,857</u>	<u>(5,314,858)</u>	<u>(5,012,001)</u>	<u>161,342</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(20,288)	(17,253)	(37,541)	(152,337)
Contributed capital	2,978	-	2,978	-
Disposal of equipment	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(17,310)</u>	<u>(17,253)</u>	<u>(34,563)</u>	<u>(152,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Loan proceeds	-	5,507,104	5,507,104	-
Principal payment of long-term debt	(211,568)	(98,280)	(309,848)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(211,568)</u>	<u>5,408,824</u>	<u>5,197,256</u>	<u>-</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	73,979	76,713	150,692	9,005
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>641,930</u>	<u>425,670</u>	<u>1,067,600</u>	<u>394,423</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 715,909</u>	<u>\$ 502,383</u>	<u>\$ 1,218,292</u>	<u>\$ 403,428</u>

**VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Caro (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Caro.

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES:

The Village of Caro is governed by an elected council with a village manager overseeing daily operations. The Village provides various services to its residents including law enforcement, fire protection, community enrichment and human services. The component units discussed below are included in the Village's financial reporting entity because of the significance of their operational or financial relationships with the Village.

REPORTING ENTITY:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" (as amended by GASB No. 39), these financial statements present the Village of Caro (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The following is a description of the component units:

Discretely Presented Component Units:

The component unit columns in the combined financial statements include the financial data of the Downtown Development Authority. These financial statements are reported on pages 43 and 44 to emphasize that they are legally separate from the Village.

The Downtown Development Authority of the Village of Caro is an Authority created pursuant to Public Act 197 of 1975. The purpose of the Authority is to analyze the impact of economic changes and growth in the Downtown District and develop plans to promote orderly economic growth in the "Downtown Development District."

Blended Component Unit Reported with the Primary Government:

The Building Authority of the Village of Caro was created pursuant to the provisions of Act 31, Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining buildings, automobile parking lots or structures and recreational facilities for use for any legitimate public purpose of the Village.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Village of Caro. There are seven major funds reported on the government-wide financial statements.

The Statement of Net Assets presents the Village's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major street fund* accounts for the maintenance and improvement activities for streets designated as major within the Village. Funding is primarily through state trunkline maintenance and through state shared gas and weight taxes.

The *local street fund* accounts for the maintenance and construction activities for streets designated as local within the Village. Funding is primarily through state shared gas and weight taxes.

The *refuse fund* accounts for the tax levy for the purpose of operating the refuse collection.

The *fire fund* accounts for the activities of the fire department including charges for fire service and operating expenses.

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the sewage collection system.

The *water fund* accounts for the activities of the water distribution system.

Additionally, the government reports the following nonmajor governmental funds:

The nonmajor *special revenue funds* account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following fund types:

Internal service funds account for machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. The budgeted revenues and expenditures for governmental fund types include any authorized amendments to the original budget as adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Village does not utilize encumbrance accounting.

**VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

CASH AND CASH EQUIVALENTS:

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Village to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

RECEIVABLES:

Receivables consist primarily of amounts for intergovernmental revenue and customer charges. An allowance for doubtful accounts has been established in those funds where it was determined to be necessary. Credit risk is minimal because of the large number of customers and the authority of the Village to add receivables to the tax rolls that are secured by the underlying property.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet.

PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The Village bills and collects its own property taxes. Village tax revenues are recognized in the year of levy.

PREPAID ITEMS:

Payments made to vendors, generally for services, that will benefit beyond June 30, 2008, are recorded as prepaid items. A reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

INVENTORIES (ENTERPRISE FUNDS ONLY):

Inventories are stated at the lower of cost or market determined on the first-in, first-out (FIFO) method.

RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Village of Caro as assets with initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Any donated assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the sewer fund, \$45,513 was included as part of the cost of capital assets under construction in connection with the wastewater treatment facilities construction project.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

DEPRECIATION:

Depreciation expense amounted to \$846,556 for the year ended June 30, 2008. Depreciation is computed using the straight-line method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Land/Land Improvements	0 - 50
Buildings	0 - 50
Bridges	0
Meters	3 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Trailways	30
Water lines	0
Source of Supply	6 - 50
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	20
Parking lots	0
Traffic Signals	5

COMPENSATED ABSENCES:

It is the Village's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Village's service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. A liability has been recorded in the Statement of Net Assets.

ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, therefore, does not present consolidated information.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - LEGAL COMPLIANCE - BUDGETS:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to June 30 of each year, a proposed budget is submitted to the Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund and special revenue funds.
6. Budgets for general, special revenue and debt service funds are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level. Violations, if any, are disclosed in the required supplementary information section.

NOTE 3 - NOTES RECEIVABLE:

GENERAL FUND:

Notes receivable to the general fund consisted of and had the following provisions:

Note receivable from the Tuscola Area Airport Authority, interest is at 2.5%.	<u>\$4,916</u>
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VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2008 consist of the following:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>	<u>TOTAL</u>
Receivables:				
Accounts	\$ 62,357	\$ 81,922	\$ 243,063	\$ 387,342
Taxes	7,120	2,327	-	9,447
Notes	4,916			4,916
Allowance for Uncollectibles	<u>(9,050)</u>	<u></u>	<u>(32,480)</u>	<u>(41,530)</u>
TOTAL RECEIVABLES	<u>\$ 65,343</u>	<u>\$ 84,249</u>	<u>\$ 210,583</u>	<u>\$ 360,175</u>

NOTE 5 - PENSION PLANS/DEFERRED COMPENSATION PLAN:

DEFINED BENEFIT PENSION PLAN:

The Village of Caro Retirement Plan is a single-employer defined benefit pension plan administered by The Principal Financial Group. It provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Village Council. Village of Caro Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Village of Caro, 317 South State Street, Caro, MI 48723.

The contribution requirements of plan members and the Village are established and may be amended by the Village Council. Plan members are required to contribute 3% of their annual covered salary. The Village is required to contribute to an actuarially determined rate; the current rate is 15% of annual covered payroll.

The Village's annual pension cost and net pension obligation to the Village of Caro Retirement Plan for the current year were:

Annual required contribution	\$ 28,675
Interest on net pension obligation	(225)
Adjustment to annual required contribution	<u>(835)</u>
Annual pension cost	29,285
Contributions made	<u>28,675</u>
Increase (decrease) in net pension obligation	610
Net pension obligation beginning of year	<u>(3,469)</u>
Net pension obligation end of year	<u><u>\$ (2,859)</u></u>

The annual required contribution for the current year was determined as part of the August 1, 2007 actuarial valuation using the entry age normal-frozen initial liability actuarial cost method. The actuarial assumptions included (a) 6.5% investment rate of return (net of investment expenses) for pre-retirement and 5.5% for post-retirement and (b) projected salary increases of 2.10%. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post-retirement benefit increases, which are funded by Village appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a longer period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - PENSION PLANS/DEFERRED COMPENSATION PLAN (Continued):

Three-year Trend Information:

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
June 30, 2006	\$24,994	97%	\$(4,041)
June 30, 2007	20,601	97%	(3,469)
June 30, 2008	29,285	98%	(2,859)

DEFINED CONTRIBUTION PENSION PLAN:

The Village of Caro Money Purchase Plan is a defined contribution pension plan established by the Village of Caro to provide benefits at retirement to certain Village officials. At June 30, 2008, there were twenty-five plan members. The Village is required to contribute 5% to 10% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Village Council.

BASIS OF ACCOUNTING:

The financial statements of the Village of Caro Money Purchase Plan are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

VALUATION OF INVESTMENTS:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Mutual fund investments of \$391,431 were held at June 30, 2008.

DEFERRED COMPENSATION PLAN:

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. In addition, certain employees have the Village's contribution to their retirement plan deposited to the Deferred Compensation Plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 6 - CONTINGENT LIABILITIES:

AIRPORT AUTHORITY:

Effective July 1, 1993, the Village transferred ownership of the Caro Airport to a separate legal and reporting entity. Certain liabilities, which continue to be in the name of the Village, were assumed by the Airport Authority. As Airport Authority financial information is presented under separate cover, no Airport Authority liabilities in the Village's name have been recorded in these financial statements. The amount of the long-term debt held in the name of the Village for the Airport Authority is \$44,261.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT:

Long-term debt of the Village's Enterprise Funds consisted of and had the following provisions:

WATER FUND

Revenue Bonds originally dated June 18, 1987 and subsequently refinanced under the MMBA local government refunding revenue loan program are payable with interest averaging 5.3%. Bonds were issued to finance the construction of a new water tower, additional water mains and a well.

TOTAL	\$ 105,000	
CURRENT PORTION	<u>(105,000)</u>	\$ -

Junior lien revenue bonds payable dated September 30, 1999, in an amount not to exceed \$1,035,000. The bonds bear interest at 2.5% and were issued to finance the construction of a new water well and new water lines.

TOTAL	569,255	
CURRENT PORTION	<u>(41,566)</u>	527,689

Revenue bonds dated September 22, 2005, in an amount not to exceed \$1,780,000 for the purpose of the arsenic removal project. The loan has an interest rate of 2.125%.

TOTAL	1,628,215	
CURRENT PORTION	<u>(75,000)</u>	1,553,215

TOTAL WATER FUND (LONG-TERM)		<u>2,080,904</u>
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SEWAGE DISPOSAL FUND

County Revenue Bonds payable with interest varying between 3.75% and 6.625%. Bonds were issued to finance the construction of a new waste treatment facility and sewer lines. On October 1, 2002, the bonds were advanced refunded. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$222,866.

TOTAL	465,920	
CURRENT PORTION	<u>(94,640)</u>	371,280

Construction in Progress on County Revenue Bonds, total project will be \$7,730,000.

TOTAL	5,591,035	
CURRENT PORTION	<u>(330,000)</u>	5,261,035

TOTAL SEWAGE DISPOSAL FUND (LONG-TERM)		<u>5,632,315</u>
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TOTAL ENTERPRISE FUNDS (LONG-TERM)		<u>\$ 7,713,219</u>
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VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT, (Continued):

Long-term debt of the Village's Component Unit (Downtown Development Authority):

Installment loan payable to the Michigan Department of Environmental Quality dated February 15, 1999. Loan proceeds were used for the environmental clean up of a parcel of land. The note carries an interest rate of 2.25% per annum.

TOTAL	\$ 25,809	
CURRENT PORTION	<u>(4,935)</u>	\$ 20,874

Bonds payable (General Obligation Limited Tax) to FifthThird Bank dated August 29, 2001. Semi-annual payments of interest carry rates varying between 3.5% and 4.85%. Principal payments are due on an annual basis.

TOTAL	630,000	
CURRENT PORTION	<u>(75,000)</u>	555,000

TOTAL		<u>\$675,874</u>
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General long-term debt of the Village consisted of and had the following provisions:

Bonds payable (General Obligation Limited Tax) to Community Bank dated September 22, 2003. Semi-annual payments of interest carry a rate of 2.00%. Principal payments are due on an annual basis.

TOTAL	\$ 70,087	
CURRENT PORTION	<u>(20,000)</u>	\$ 50,087

Loan payable to Northstar Bank dated June 18, 2008. Annual payments of interest carry a rate of 4.05%. Principal payments are due on an annual basis.

TOTAL	315,207	
CURRENT PORTION	<u>(26,306)</u>	288,901

Compensated absences		69,535
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TOTAL		<u>\$408,523</u>
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During the year ended June 30, 2008 the following changes occurred in liabilities reported in the governmental general long-term debt on the statement of net assets:

<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
<u>\$157,662</u>	<u>\$317,167</u>	<u>\$20,000</u>	<u>\$454,829</u>

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT, (Continued):

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

YEAR ENDING JUNE 30	GENERAL OBLIGATION		REVENUE	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 126,241	\$ 42,446	\$ 646,206	\$ 150,818
2010	132,417	37,380	546,206	143,285
2011	138,639	31,962	552,566	132,032
2012	134,995	26,300	558,083	120,622
2013	131,227	20,508	574,003	109,113
2014-2018	377,584	31,457	2,535,238	394,759
2019-2023	0	0	2,597,873	163,705
2024-2028	0	0	349,250	10,532
Compensated absences	69,535			
TOTAL	\$1,110,638	\$190,053	\$8,359,425	\$1,224,866

NOTE 8 – CAPITAL ASSET SUMMARY:

A summary of property, plant, and equipment at June 30, 2008 is as follows:

	<u>LIFE- YEARS</u>	<u>WATER FUND</u>	<u>SEWAGE DISPOSAL FUND</u>	<u>EQUIPMENT RENTAL FUND</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
Land		\$ 115,923	\$ 2,513		\$ 466,051	\$ 283,413
Land Improvements	0-15				4,790,915	424,546
Buildings	10-50	1,176,603	8,785,874		1,188,380	
Bridges	50				79,360	
Meters	13-20	291,479	40,576			
Storm/Sewer lines	30-67		3,728,580		622,339	
Sidewalks/Trailways	30				1,321,828	
Water lines	50	2,990,435				
Source of Supply	6-50	882,629				
Motor Vehicles & Related Equipment	3-10			\$1,159,092		
Machinery & Equipment	5-20	1,515,604	343,045		1,284,090	23,439
Revenue Loan Costs		15,448	37,877			
Roads	5-20				1,774,429	
Parking lots	20					1,339,600
Traffic Signals	15				105,000	
Total Costs		6,988,121	12,938,465	1,159,092	11,632,392	2,070,998
Less Accumulated Depreciation		(2,060,226)	(5,615,524)	(786,085)	(1,864,562)	(382,955)
Net Carrying Amount		\$4,927,895	\$7,322,941	\$ 373,007	\$ 9,767,830	\$1,688,043

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 8 – CAPITAL ASSET SUMMARY, (Continued):

All depreciation is computed using the straight-line method. Equipment Rental Fund assets are combined with Governmental Activities assets on the Statement of Net Assets. Depreciation expense was recorded as follows:

Governmental Activities	\$ 294,730
Water Fund	209,018
Sewer Fund	271,843
Component Unit	<u>70,965</u>
Total depreciation expense	<u>\$ 846,556</u>

NOTE 9 - CASH AND INVESTMENTS:

The Village maintains a pooled account for substantially all of its cash. Each fund type's portion of this pool is maintained through the use of separate accounts within the pooled account. This cash is shown in their respective funds for financial reporting purposes.

As of June 30, 2008, the Village had no investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2008, \$4,226,921 of the Village's bank balance of \$4,426,921 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The amounts reported in the financial statements are as follows:

Cash - Governmental Activities	\$ 2,877,531
Cash - Business-Type Activities	1,218,292
Cash - Component Unit	<u>249,551</u>
	<u>\$ 4,345,374</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 10 - SEGMENT INFORMATION:

The Village maintains two enterprise funds that provide water and sewer services. Segment information for the year ended June 30, 2008, is as follows:

	<u>WATER</u>	<u>SEWAGE DISPOSAL</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Operating revenue	\$834,148	\$927,592	\$1,761,740
Depreciation & Amortization expense	212,881	271,843	484,724
Operating income (loss)	124,643	(29,227)	95,416
Net income	78,480	(39,161)	39,319
Property, plant & equipment:			
Additions	20,288	17,253	37,541
Dispositions	0	0	0
Net working capital (deficit)	589,203	(33,223)	555,980
Total identifiable assets	5,759,149	14,238,701	19,997,850
Total equity	3,436,194	7,931,377	11,367,571

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 - CONTRIBUTED CAPITAL:

Contributed capital currently exists only in the Enterprise Funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use or still in construction within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital rather than retained earnings.

NOTE 12 - RESERVES/DESIGNATIONS ON NET ASSETS/FUND BALANCES:

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>ENTERPRISE</u>
Net assets reserved for debt retirement			\$562,953
Fund balances designated for:			
Community promotion	\$167,788	-	-
TOTAL	\$167,788	\$ -	\$562,953

NOTE 13 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

NOTE 14 - INTERFUND TRANSFERS:

Transfers were made between funds to subsidize operations. Interfund transfers for the year ended June 30, 2008 consisted of the following amounts:

		TRANSFERS FROM				
		General Fund	Municipal Streets	Fire Fund	DDA	Total
TRANSFERS TO	Local Streets		\$100,000			\$100,000
	DDA	\$ 7,500				7,500
	Fire Fund	90,801				90,801
	Debt Service			\$21,613	\$100,981	122,594
	Total	\$98,301	\$100,000	\$21,613	\$100,981	\$320,895

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances for the year ended June 30, 2008 consisted of the following amounts:

		RECEIVABLE		
		<u>General Fund</u>	<u>Motor Pool Fund</u>	<u>Total</u>
PAYABLE	Sewer Fund	\$164,000	\$48,900	\$212,900
	Total	\$164,000	\$48,900	\$212,900

The outstanding balances between the funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CARO
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES	\$ 1,599,605	\$ 1,704,708	\$ 1,735,138	\$ 30,430
EXPENDITURES	1,578,783	1,852,718	1,684,228	168,490
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>20,822</u>	<u>(148,010)</u>	<u>50,910</u>	<u>198,920</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	246,535	10,065	(236,470)
Transfers in	-	-	-	-
Transfers out	(98,301)	(98,301)	(98,301)	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>(98,301)</u>	<u>148,234</u>	<u>(88,236)</u>	<u>(236,470)</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(77,479)</u>	<u>224</u>	<u>(37,326)</u>	<u>(37,550)</u>
FUND BALANCE - JULY 1	<u>1,839,441</u>	<u>1,839,441</u>	<u>1,839,441</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 1,761,962</u>	<u>\$ 1,839,665</u>	<u>\$ 1,802,115</u>	<u>\$ (37,550)</u>

VILLAGE OF CARO
MAJOR STREET & TRUNKLINE
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Taxes	\$ 104,529	\$ 91,678	\$ 91,678	\$ -
Intergovernmental revenue	625,000	221,000	222,763	1,763
Miscellaneous	4,500	5,574	6,119	545
TOTAL REVENUE	734,029	318,252	320,560	2,308
EXPENDITURES:				
Construction	3,454	-	-	-
Routine maintenance - street & storm sewers	590,719	169,173	173,869	(4,696)
Trees & shrubs	1,253	-	-	-
Snow & ice controls	22,810	27,708	27,707	1
Sweeping & flushing	12,650	12,068	7,744	4,324
Draining, signs & signals	1,313	232	389	(157)
Administrative	35,046	35,095	32,934	2,162
TOTAL EXPENDITURES	667,245	244,277	242,643	1,634
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	66,784	73,975	77,917	3,942
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	66,784	73,975	77,917	3,942
FUND BALANCE - JULY 1	238,586	238,586	238,586	-
FUND BALANCE - JUNE 30	\$ 305,370	\$ 312,561	\$ 316,503	\$ 3,942

VILLAGE OF CARO
LOCAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Taxes	\$ 52,001	\$ 45,608	\$ 45,608	\$ -
Intergovernmental revenue	84,000	80,400	80,005	(395)
Miscellaneous	10,600	11,958	14,728	2,770
TOTAL REVENUE	146,601	137,966	140,341	2,375
EXPENDITURES:				
Construction - street & storm sewers	-	-	-	-
Routine maintenance - street & storm sewers	192,919	181,502	172,094	9,408
Administrative	35,529	35,479	27,079	8,400
TOTAL EXPENDITURES	228,448	216,981	199,173	17,808
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(81,847)	(79,015)	(58,832)	20,183
OTHER FINANCING SOURCES (USES):				
Operating transfers in	100,000	100,000	100,000	-
Operating transfers out				-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	18,153	20,985	41,168	20,183
FUND BALANCE - JULY 1	83,791	83,791	83,791	-
FUND BALANCE - JUNE 30	\$ 101,944	\$ 104,776	\$ 124,959	\$ 20,183

VILLAGE OF CARO
REFUSE/SANITATION FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Taxes	\$ 42,716	\$ 42,360	\$ 43,020	\$ 660
Charges for services	352,000	352,000	354,568	2,568
Miscellaneous	20,826	8,111	9,109	998
TOTAL REVENUE	415,542	402,471	406,697	4,226
EXPENDITURES:				
Sanitation:				
Wages	24,062	22,500	22,142	358
Employee benefits	10,047	8,436	9,158	(722)
Miscellaneous supplies	3,133	2,338	2,185	153
Contracted services	365,000	365,000	350,863	14,137
Insurance	3,700	3,700	3,606	94
Equipment rental	1,700	1,400	1,077	323
Administration fee	-	-	-	-
Miscellaneous	7,900	5,330	5,114	216
TOTAL EXPENDITURES	415,542	408,704	394,145	14,559
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	(6,233)	12,552	18,785
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	-	(6,233)	12,552	18,785
FUND BALANCE - JULY 1	170,701	170,701	170,701	-
FUND BALANCE - JUNE 30	\$ 170,701	\$ 164,468	\$ 183,253	\$ 18,785

VILLAGE OF CARO
FIRE FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Taxes				
Charges for services	\$ 89,949	\$ 89,949	\$ 89,949	\$ -
Miscellaneous	5,055	6,563	36,688	30,125
TOTAL REVENUE	95,004	96,512	126,637	30,125
EXPENDITURES:				
Fire:				
Wages	64,410	61,500	65,099	(3,599)
Employee benefits	16,153	16,211	19,066	(2,855)
Miscellaneous supplies	15,500	10,958	13,039	(2,081)
Contracted services	19,300	20,958	21,654	(696)
Capital outlay	7,500	5,000	349,401	(344,401)
Telephone	1,620	1,100	1,147	(47)
Insurance	11,695	10,100	7,452	2,648
Administrative expense	10,000	10,000	10,000	-
Equipment rent	500	200	168	32
Miscellaneous	7,525	9,588	9,469	119
TOTAL EXPENDITURES	154,203	145,615	496,495	(350,880)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(59,199)	(49,103)	(369,858)	(320,755)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	315,206	315,206
Operating transfers in	80,801	80,801	90,801	10,000
Operating transfers out	(21,602)	(21,614)	(21,613)	1
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	-	10,084	14,536	4,452
FUND BALANCE - JULY 1	49,809	49,809	49,809	-
FUND BALANCE - JUNE 30	\$ 49,809	\$ 59,893	\$ 64,345	\$ 4,452

ADDITIONAL INFORMATION

VILLAGE OF CARO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2008

	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 275,573	\$ 2,321	\$ 277,894
Accounts receivable		4,058	-	4,058
Taxes receivable		2,014	-	2,014
Due from other funds				-
TOTAL ASSETS	\$ -	\$ 281,645	\$ 2,321	\$ 283,966
<u>LIABILITIES & FUND BALANCES</u>				
Liabilities:				
Accounts payable		-	-	\$ -
Accrued salaries & wages		\$ 654	-	654
Due to other funds				-
Deferred revenue		-	-	-
Total Liabilities	-	654	-	654
Fund Balances:				
Reserved for:				
Debt service	\$ -			-
Unreserved		280,991	\$ 2,321	283,312
Total Fund Balances	-	280,991	2,321	283,312
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 281,645	\$ 2,321	\$ 283,966

VILLAGE OF CARO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES.				
Taxes		\$ 235,552		\$ 235,552
Charges for services				-
Intergovernmental revenue				-
Miscellaneous	\$ 4	8,957	\$ 374	9,335
TOTAL REVENUE	<u>4</u>	<u>244,509</u>	<u>374</u>	<u>244,887</u>
EXPENDITURES:				
Streets		99,570		99,570
Miscellaneous			327	327
Debt Service:				
Principal	90,000			90,000
Interest	32,933			32,933
TOTAL EXPENDITURES	<u>122,933</u>	<u>99,570</u>	<u>327</u>	<u>222,830</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(122,929)</u>	<u>144,939</u>	<u>47</u>	<u>22,057</u>
OTHER FINANCING SOURCES (USES):				
Loan/Bond proceeds				-
Operating transfers in	122,594			122,594
Operating transfers out	-	(100,000)		(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>122,594</u>	<u>(100,000)</u>	<u>-</u>	<u>22,594</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(335)</u>	<u>44,939</u>	<u>47</u>	<u>44,651</u>
FUND BALANCE - JULY 1	<u>335</u>	<u>236,052</u>	<u>2,274</u>	<u>238,661</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ 280,991</u>	<u>\$ 2,321</u>	<u>\$ 283,312</u>

VILLAGE OF CARO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED JUNE 30, 2007

	<u>2008</u>			<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES	\$ 1,704,708	\$ 1,735,138	\$ 30,430	\$ 1,842,853
EXPENDITURES	1,852,718	1,684,228	168,490	1,617,342
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(148,010)</u>	<u>50,910</u>	<u>198,920</u>	<u>225,511</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	246,535	10,065	(236,470)	880,635
Transfers in	-	-	-	-
Transfers out	(98,301)	(98,301)	-	(71,776)
TOTAL OTHER FINANCING SOURCES (USES):	<u>148,234</u>	<u>(88,236)</u>	<u>(236,470)</u>	<u>808,859</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>224</u>	<u>(37,326)</u>	<u>(37,550)</u>	<u>1,034,370</u>
FUND BALANCE - JULY 1	<u>1,839,441</u>	<u>1,839,441</u>	<u>-</u>	<u>805,071</u>
FUND BALANCE - JUNE 30	<u>\$ 1,839,665</u>	<u>\$ 1,802,115</u>	<u>\$ (37,550)</u>	<u>\$ 1,839,441</u>

VILLAGE OF CARO
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 2008

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>
<u>ASSETS</u>			
Cash	\$ 287,980	\$ 114,872	\$ 275,573
Accounts receivable	30,284	13,110	4,058
Taxes receivable			2,014
Due from other funds			
TOTAL ASSETS	<u>\$ 318,264</u>	<u>\$ 127,982</u>	<u>\$ 281,645</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 54		
Accrued salaries & wages	1,707	\$ 3,023	\$ 654
Deferred revenue			-
Total Liabilities	<u>1,761</u>	<u>3,023</u>	<u>654</u>
Fund equity:			
Fund balance:			
Undesignated	316,503	124,959	280,991
Total Fund Equity	<u>316,503</u>	<u>124,959</u>	<u>280,991</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 318,264</u>	<u>\$ 127,982</u>	<u>\$ 281,645</u>

REFUSE/ SANITATION	DRUG FORFEITURE	FIRE	TOTALS JUNE 30,	
			2008	2007
\$ 149,335	\$ 2,321	\$ 65,873	\$ 895,954	\$ 708,687
34,470		-	81,922	81,106
313	-	-	2,327	1,813
			-	-
<u>\$ 184,118</u>	<u>\$ 2,321</u>	<u>\$ 65,873</u>	<u>\$ 980,203</u>	<u>\$ 791,606</u>
\$ 14		\$ 110	\$ 178	\$ 3,670
851		1,418	7,653	6,723
		-	-	-
<u>865</u>		<u>1,528</u>	<u>7,831</u>	<u>10,393</u>
183,253	\$ 2,321	64,345	972,372	781,213
183,253	2,321	64,345	972,372	781,213
<u>\$ 184,118</u>	<u>\$ 2,321</u>	<u>\$ 65,873</u>	<u>\$ 980,203</u>	<u>\$ 791,606</u>

VILLAGE OF CARO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2008

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>
REVENUE:			
Taxes	\$ 91,678	\$ 45,608	\$ 235,552
Intergovernmental revenue	222,763	80,005	-
Charges for services	-	-	-
Miscellaneous	6,119	14,728	8,957
	<u>320,560</u>	<u>140,341</u>	<u>244,509</u>
TOTAL REVENUE			
EXPENDITURES:			
Streets	242,643	199,173	99,570
Refuse			
Investigation			
Fire			
	<u>242,643</u>	<u>199,173</u>	<u>99,570</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	77,917	(58,832)	144,939
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	
Operating transfers in	-	100,000	-
Operating transfers out	-	-	(100,000)
	<u>77,917</u>	<u>41,168</u>	<u>44,939</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES			
FUND BALANCE - JULY 1	<u>238,586</u>	<u>83,791</u>	<u>236,052</u>
FUND BALANCE - JUNE 30	<u>\$ 316,503</u>	<u>\$ 124,959</u>	<u>\$ 280,991</u>

REFUSE/ SANITATION	DRUG FORFEITURE	FIRE	TOTALS JUNE 30,	
			2008	2007
\$ 43,020			\$ 415,858	\$ 407,760
-			302,768	313,784
354,568		\$ 89,949	444,517	431,219
9,109	\$ 374	36,688	75,975	76,823
<u>406,697</u>	<u>374</u>	<u>126,637</u>	<u>1,239,118</u>	<u>1,229,586</u>
			541,386	468,743
394,145			394,145	388,747
	327		327	234
		496,495	496,495	176,375
<u>394,145</u>	<u>327</u>	<u>496,495</u>	<u>1,432,353</u>	<u>1,034,099</u>
12,552	47	(369,858)	(193,235)	195,487
		315,206	315,206	-
-	-	90,801	190,801	196,776
-		(21,613)	(121,613)	(141,943)
<u>12,552</u>	<u>47</u>	<u>14,536</u>	<u>191,159</u>	<u>250,320</u>
170,701	2,274	49,809	781,213	530,892
<u>\$ 183,253</u>	<u>\$ 2,321</u>	<u>\$ 64,345</u>	<u>\$ 972,372</u>	<u>\$ 781,213</u>

VILLAGE OF CARO
MAJOR STREET AND TRUNKLINE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - county road levy	\$ 91,678	\$ 91,678	\$ -
Intergovernmental revenue:			
Gas & weight tax	183,000	184,912	1,912
Gilford Rd	-	-	-
Trunkline maintenance	38,000	37,851	(149)
Total Intergovernmental Revenue	221,000	222,763	1,763
Miscellaneous revenue:			
Interest income	4,550	5,094	544
Miscellaneous	1,024	1,025	1
Total Miscellaneous Revenue	5,574	6,119	545
TOTAL REVENUE	<u>318,252</u>	<u>320,560</u>	<u>2,308</u>
EXPENDITURES:			
Construction	-	-	-
Routine maintenance - street & storm sewers	169,173	173,869	(4,696)
Trees & shrubs	-	-	-
Snow & ice controls	27,708	27,707	1
Sweeping & flushing	12,068	7,744	4,324
Draining, signs & signals	232	389	(157)
Administrative	35,096	32,934	2,162
TOTAL EXPENDITURES	<u>244,277</u>	<u>242,643</u>	<u>1,634</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>73,975</u>	<u>77,917</u>	<u>3,942</u>
FUND BALANCE - JULY 1	<u>238,586</u>	<u>238,586</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$312,561</u>	<u>\$316,503</u>	<u>\$ 3,942</u>

VILLAGE OF CARO
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - County bridge levy	\$ 45,608	\$ 45,608	\$ -
Intergovernmental revenue:			
Gas & weight tax	80,400	80,005	(395)
Miscellaneous revenue:			
Interest income	981	1,231	250
Miscellaneous	10,977	13,497	2,520
Total Miscellaneous Revenue	11,958	14,728	2,770
TOTAL REVENUE	137,966	140,341	2,375
EXPENDITURES:			
Construction - street & storm sewers	-	-	-
Routine maintenance - street & storm sewers	181,502	172,094	9,408
Administrative	35,479	27,079	8,400
TOTAL EXPENDITURES	216,981	199,173	17,808
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(79,015)	(58,832)	20,183
OTHER FINANCING SOURCES (USES):			
Operating transfers in	100,000	100,000	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	20,985	41,168	20,183
FUND BALANCE - JULY 1	83,791	83,791	-
FUND BALANCE - JUNE 30	\$ 104,776	\$ 124,959	\$ 20,183

VILLAGE OF CARO
MUNICIPAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - Current property tax levy	<u>\$ 231,946</u>	<u>\$ 235,552</u>	<u>\$ 3,606</u>
Miscellaneous Revenue:			
Sidewalk assessments	<u>-</u>	<u>-</u>	<u>-</u>
Interest income	<u>8,400</u>	<u>8,957</u>	<u>557</u>
Total Miscellaneous Revenue	<u>8,400</u>	<u>8,957</u>	<u>557</u>
TOTAL REVENUE	<u>240,346</u>	<u>244,509</u>	<u>4,163</u>
EXPENDITURES:			
Alleys & sidewalks	<u>16,579</u>	<u>14,268</u>	<u>2,311</u>
Administrative	<u>23,184</u>	<u>23,056</u>	<u>128</u>
Parking Lots	<u>66,593</u>	<u>62,246</u>	<u>4,347</u>
TOTAL EXPENDITURES	<u>106,356</u>	<u>99,570</u>	<u>6,786</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>133,990</u>	<u>144,939</u>	<u>10,949</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	<u>33,990</u>	<u>44,939</u>	<u>10,949</u>
FUND BALANCE - JULY 1	<u>236,052</u>	<u>236,052</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 270,042</u>	<u>\$ 280,991</u>	<u>\$ 10,949</u>

VILLAGE OF CARO
REFUSE/SANITATION FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - Current tax levy	<u>\$ 42,360</u>	<u>\$ 43,020</u>	<u>\$ 660</u>
Charges for services:			
Rubbish/trash	<u>352,000</u>	<u>354,568</u>	<u>2,568</u>
Miscellaneous revenue:			
Miscellaneous income	<u>8,111</u>	<u>9,109</u>	<u>998</u>
TOTAL REVENUE	<u>402,471</u>	<u>406,697</u>	<u>4,226</u>
EXPENDITURES:			
Sanitation:			
Wages	22,500	22,142	358
Employee benefits	8,436	9,158	(722)
Miscellaneous supplies	2,338	2,185	153
Contracted services	365,000	350,863	14,137
Insurance	3,700	3,606	94
Equipment rental	1,400	1,077	323
Administration fee	-	-	-
Miscellaneous	<u>5,330</u>	<u>5,114</u>	<u>216</u>
TOTAL EXPENDITURES	<u>408,704</u>	<u>394,145</u>	<u>14,559</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(6,233)	12,552	18,785
FUND BALANCE - JULY 1	<u>170,701</u>	<u>170,701</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 164,468</u>	<u>\$ 183,253</u>	<u>\$ 18,785</u>

VILLAGE OF CARO
DRUG FORFEITURE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Miscellaneous revenue	\$ -	\$ 318	\$ 318
Interest income	51	56	5
TOTAL REVENUE	<u>51</u>	<u>374</u>	<u>323</u>
EXPENDITURES:			
Investigation expenses	<u>279</u>	<u>327</u>	<u>-</u>
TOTAL EXPENDITURES	<u>279</u>	<u>327</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(228)	47	275
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	(228)	47	275
FUND BALANCE - JULY 1	<u>2,274</u>	<u>2,274</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 2,046</u>	<u>\$ 2,321</u>	<u>\$ 275</u>

VILLAGE OF CARO
FIRE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Charges for Services:			
Fire Fees	\$83,506	\$ 83,506	\$ -
Surcharges	6,443	6,443	-
Total Charges for Services	89,949	89,949	-
Miscellaneous Revenue:			
Interest income	2,000	2,037	37
Donations	3,500	33,500	30,000
Other	1,063	1,151	88
Total Miscellaneous Revenue	6,563	36,688	30,125
TOTAL REVENUE	<u>96,512</u>	<u>126,637</u>	<u>30,125</u>
EXPENDITURES:			
Salaries and wages	61,500	65,099	(3,599)
Fringe benefits	16,211	19,066	(2,855)
Supplies	10,958	13,039	(2,081)
Contracted Repairs	20,958	21,654	(696)
Capital Outlay	5,000	349,401	(344,401)
Telephone	1,100	1,147	(47)
Insurance	10,100	7,452	2,648
Administrative expense	10,000	10,000	-
Equipment rent	200	168	32
Miscellaneous	9,588	9,469	119
TOTAL EXPENDITURES	<u>145,615</u>	<u>496,495</u>	<u>(350,880)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(49,103)</u>	<u>(369,858)</u>	<u>(320,755)</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	315,206	315,206
Operating transfers in	80,801	90,801	10,000
Operating transfers out	(21,614)	(21,613)	1
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	<u>10,084</u>	<u>14,536</u>	<u>4,452</u>
FUND BALANCE - JULY 1	<u>49,809</u>	<u>49,809</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$59,893</u>	<u>\$ 64,345</u>	<u>\$ 4,452</u>

VILLAGE OF CARO
DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Miscellaneous Revenue:			
Interest income	\$ 4	\$ 4	\$ -
Other	-	-	-
Total Miscellaneous Revenue	<u>4</u>	<u>4</u>	<u>-</u>
TOTAL REVENUE	<u>4</u>	<u>4</u>	<u>-</u>
EXPENDITURES:			
Principal	90,000	90,000	-
Interest	<u>32,933</u>	<u>32,933</u>	<u>-</u>
TOTAL EXPENDITURES	<u>122,933</u>	<u>122,933</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(122,929)	(122,929)	-
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Operating transfers in	122,594	122,594	-
Operating transfers out	-	-	-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	<u>(335)</u>	<u>(335)</u>	<u>-</u>
FUND BALANCE - JULY 1	<u>335</u>	<u>335</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF CARO
GOVERNMENTAL COMPONENT UNITS
BALANCE SHEET
June 30, 2008

	DOWNTOWN DEVELOPMENT AUTHORITY	
	JUNE 30,	
	2008	2007
<u>ASSETS</u>		
Cash	\$ 249,551	\$ 153,284
Accounts receivable	31,891	875
TOTAL ASSETS	<u>\$ 281,442</u>	<u>\$ 154,159</u>
 <u>LIABILITIES & FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$ 31,345	\$ 15
Accrued salaries & wages	628	1,261
Deferred revenue	5,692	-
Total Liabilities	<u>37,665</u>	<u>1,276</u>
 Fund Equity:		
Fund Balance:		
Undesignated	<u>243,777</u>	<u>152,883</u>
Total Fund Equity	<u>243,777</u>	<u>152,883</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 281,442</u>	<u>\$ 154,159</u>

VILLAGE OF CARO
GOVERNMENTAL COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED JUNE 30, 2007

DOWNTOWN DEVELOPMENT AUTHORITY				
	2008		VARIANCE - FAVORABLE (UNFAVORABLE)	JUNE 30, 2007
	BUDGET	ACTUAL		
REVENUE:				
Taxes	\$ 232,965	\$ 232,965	\$ -	\$ 215,314
Parking lots	23,600	23,600	-	23,600
Federal programs	130,856	156,509	25,653	-
MSHDA program-business owners	20,778	20,778	-	-
Miscellaneous	23,664	17,511	(6,153)	18,420
TOTAL REVENUE	431,863	451,363	19,500	257,334
EXPENDITURES:				
Contract Services	17,389	20,028	(2,639)	6,177
Miscellaneous	214,693	242,825	(28,132)	91,836
Capital outlay	-	-	-	-
Building demo	-	-	-	-
Future Projects	10,638	4,135	6,503	12,326
TOTAL EXPENDITURES	242,720	266,988	(24,268)	110,339
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	189,143	184,375	(4,768)	146,995
OTHER FINANCING SOURCES (USES):				
Operating transfers in	7,500	7,500	-	-
Operating transfers out	(101,300)	(100,981)	319	(104,310)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	95,343	90,894	(4,449)	42,685
FUND BALANCE - JULY 1	152,883	152,883	-	110,198
FUND BALANCE - JUNE 30	\$ 248,226	\$ 243,777	\$ (4,449)	\$ 152,883

**VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF REVENUE
YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current tax levy	\$ 1,049,684	\$ 1,066,830	\$ 17,146
Payments in lieu of taxes	1,848	4,825	2,977
Promotion tax levy	47,457	48,148	691
Delinquent tax - penalty & interest	548	548	-
Total Taxes	<u>1,099,537</u>	<u>1,120,351</u>	<u>20,814</u>
Licenses & permits	<u>6,450</u>	<u>8,785</u>	<u>2,335</u>
Intergovernmental Revenue:			
Federal	-	-	-
State of Michigan	443,191	439,898	(3,293)
Recreation grants & contributions	6,937	12,245	5,308
Total Intergovernmental Revenue	<u>450,128</u>	<u>452,143</u>	<u>2,015</u>
Charges For Services:			
Rental of village property	22,483	25,098	2,615
Police receipts	3,257	3,607	350
Total Charges For Services	<u>25,740</u>	<u>28,705</u>	<u>2,965</u>
Fines & Forfeitures	<u>2,414</u>	<u>2,460</u>	<u>46</u>
Miscellaneous revenue:			
Interest income	59,884	61,524	1,640
Miscellaneous	59,298	60,504	1,206
Donations	1,257	666	(591)
Total Miscellaneous Revenue	<u>120,439</u>	<u>122,694</u>	<u>2,255</u>
TOTAL REVENUE	<u>1,704,708</u>	<u>1,735,138</u>	<u>30,430</u>
OTHER FINANCING SOURCES			
Loan proceeds	-	-	-
Sale of assets	246,535	10,065	(236,470)
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>246,535</u>	<u>10,065</u>	<u>(236,470)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,951,243</u>	<u>\$ 1,745,203</u>	<u>\$ (206,040)</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Legislative:			
Salaries - council	\$ 14,568	\$ 14,568	\$ -
Supplies and equipment	50	13	37
Insurance	1,808	1,785	23
Education and training	2,600	2,607	(7)
Miscellaneous	500	453	47
Total Legislative	19,526	19,426	100
Executive:			
Salaries	37,000	37,331	(331)
Fringe benefits	26,697	25,723	974
Office supplies & expenses	1,450	1,500	(50)
Technology	138	137	1
Contracted services	23,111	23,213	(102)
Telephone	1,000	1,020	(20)
Publishing of legal notices	700	428	272
Insurance	3,250	4,407	(1,157)
Equipment leases & maintenance	-	-	-
Education & training	5,900	5,955	(55)
Capital outlay	-	-	-
Tuscola County Airport Authority	18,482	18,482	-
Miscellaneous	839	1,110	(271)
Total Executive	118,567	119,306	(739)
Elections			
Wages	925	925	-
Supplies	775	775	-
Printing	290	290	-
Miscellaneous	220	1,198	(978)
Total Elections	2,210	3,188	(978)
Clerk/Treasurer:			
Salaries	35,390	31,673	3,717
Fringe benefits	12,945	12,801	144
Office supplies & expense	2,600	2,532	68
Technology	137	237	(100)
Bonds & insurance	3,250	3,153	97
Contracted services	14,111	15,139	(1,028)
Printing and publication	1,100	1,052	48
Education and training	1,521	1,521	-
Miscellaneous	5,000	4,899	101
Total Treasurer	76,054	73,007	3,047

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Industrial Park:			
Salaries & wages	\$ 30	\$ 26	\$ 4
Fringe benefits	8	10	(2)
Contracted services	-	-	-
Insurance	500	485	15
Equipment rental	90	88	2
Capital Outlay	-	-	-
Total Industrial Park	<u>628</u>	<u>609</u>	<u>19</u>
Village Buildings & Grounds:			
Salaries & wages	21,000	22,064	(1,064)
Fringe benefits	7,369	7,637	(268)
Supplies	16,900	14,582	2,318
Contracted services	25,400	25,570	(170)
Insurance	11,475	11,133	342
Heat, light & power	63,700	64,974	(1,274)
Property taxes	722	722	-
Equipment rental	30,000	33,295	(3,295)
Capital outlay	285,000	125,489	159,511
Miscellaneous	600	698	(98)
Contributions - other funds	(60,000)	(60,000)	-
Total Village Buildings & Grounds	<u>402,166</u>	<u>246,164</u>	<u>156,002</u>
Historical Center:			
Salaries & wages	1,000	800	200
Fringe benefits	351	290	61
Supplies	152	128	24
Heat, light & power	5,430	5,226	204
Equipment rental	250	173	77
Insurance	910	883	27
Miscellaneous	5,755	5,745	10
Total Historical Center	<u>13,848</u>	<u>13,245</u>	<u>603</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Police Department:			
Salaries & wages	\$ 477,700	\$ 473,081	\$ 4,619
Fringe benefits	159,926	171,307	(11,381)
Operating supplies	14,350	13,390	960
Contracted services	19,402	13,012	6,390
Telephone	5,500	4,463	1,037
Insurance	14,100	12,198	1,902
Capital outlay	18,000	18,000	-
Repairs	40,500	23,826	16,674
Miscellaneous	15,050	15,298	(248)
Education & training	8,800	7,979	821
Total Police Department	<u>773,328</u>	<u>752,554</u>	<u>20,774</u>
Planning/Zoning			
Salaries and wages	18,803	17,435	1,368
Fringe Benefits	4,731	4,668	63
Contracted Services	18,000	21,758	(3,758)
Operating Supplies	1,200	1,067	133
Miscellaneous	1,600	2,038	(438)
Education & training	761	874	(113)
Printing & Publication	1,600	1,631	(31)
Total Planning and Zoning	<u>46,695</u>	<u>49,471</u>	<u>(2,776)</u>
Public Works Department:			
Salaries & wages	89,367	92,888	(3,521)
Fringe benefits	31,876	34,699	(2,823)
Tools & supplies	8,100	8,305	(205)
Contracted services	3,961	3,627	334
Street lighting	58,000	55,842	2,158
Insurance	7,345	7,126	219
Equipment rent	4,425	4,006	419
Education and training	1,450	1,483	(33)
Capital outlay	1,043	1,043	-
Miscellaneous	6,950	6,452	498
Total Public Works Department	<u>212,517</u>	<u>215,471</u>	<u>(2,954)</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Recreation Department:			
Salaries & wages	\$ 46,583	\$ 51,014	\$ (4,431)
Fringe benefits	9,605	13,022	(3,417)
Operating and maintenance supplies	5,200	5,592	(392)
Insurance	5,308	7,608	(2,300)
Telephone	1,100	1,019	81
Heat, light & power	12,600	12,260	340
Recreation programs	8,200	7,009	1,191
Contracted services	9,490	5,318	4,172
Equipment rent	26,021	33,039	(7,018)
Miscellaneous	4,015	2,887	1,128
Chippewa DNR Grant	-	-	-
Capital outlay	<u>11,000</u>	<u>11,100</u>	<u>(100)</u>
Total Recreation Department	<u>139,122</u>	<u>149,868</u>	<u>(10,746)</u>
Community Promotion:			
Salaries & wages	6,500	4,985	1,515
Fringe benefits	2,237	1,813	424
Supplies	4,500	4,866	(366)
Contracted services	2,320	1,581	739
Equipment rent	2,800	1,808	992
EDC annual	13,250	13,250	-
Miscellaneous	<u>16,450</u>	<u>13,616</u>	<u>2,834</u>
Total Community Promotion	<u>48,057</u>	<u>41,919</u>	<u>6,138</u>
Principal repayments			-
TOTAL EXPENDITURES	<u>1,852,718</u>	<u>1,684,228</u>	<u>168,490</u>
OTHER FINANCING USES			
Transfers out	<u>98,301</u>	<u>98,301</u>	<u>-</u>
TOTAL OTHER FINANCING USES:	<u>98,301</u>	<u>98,301</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,951,019</u>	<u>\$ 1,782,529</u>	<u>\$ 168,490</u>

VILLAGE OF CARO
WATER FUND
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS

	YEAR ENDED JUNE 30,	
	2008	2007
OPERATING REVENUE:		
Water system sales	\$ 801,997	\$ 811,344
Other services, charges & sales	21,599	17,430
Interest & penalties	6,670	5,835
Miscellaneous	3,882	3,492
TOTAL OPERATING REVENUE	834,148	838,101
OPERATING EXPENSES:		
Salaries & wages	143,293	136,348
Payroll taxes	10,659	10,046
Fringe benefits	43,416	37,960
Operating supplies	52,449	39,663
General fund administrative fee	10,000	10,000
Contracted services	75,377	81,859
Telephone	1,145	1,526
Insurance	19,513	19,240
Heat, light & power	92,946	104,894
Depreciation & amortization	212,881	214,739
Equipment rental	36,506	31,732
Other	11,320	10,813
TOTAL OPERATING EXPENSES	709,505	698,820
OPERATING INCOME (LOSS)	124,643	139,281
NON-OPERATING REVENUE (EXPENSES):		
Interest earned	15,448	25,198
Interest expense and fees	(61,611)	(65,278)
Loss on disposal of assets	-	(286)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(46,163)	(40,366)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	78,480	98,915
CONTRIBUTED CAPITAL	2,978	4,000
NET ASSETS - JULY 1	3,354,736	3,251,821
NET ASSETS - JUNE 30	\$ 3,436,194	\$ 3,354,736

VILLAGE OF CARO
SEWAGE DISPOSAL FUND
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS

	YEAR ENDED JUNE 30,	
	2008	2007
OPERATING REVENUE:		
Sewer system sales	\$ 879,642	\$ 647,995
Other services, charges & sales	19,095	9,868
Miscellaneous	28,855	25,736
TOTAL OPERATING REVENUE	927,592	683,599
OPERATING EXPENSES:		
Salaries & wages	196,863	186,555
Payroll taxes	14,762	13,326
Fringe benefits	64,558	52,331
Operating supplies	74,119	67,468
Contracted services	111,929	64,210
Telephone	4,068	4,193
Insurance	36,141	28,309
Heat, light & power	120,338	122,101
Depreciation & amortization	271,843	208,469
Equipment rental	47,340	2,706
Other	14,858	35,608
TOTAL OPERATING EXPENSES	956,819	785,276
OPERATING INCOME (LOSS)	(29,227)	(101,677)
NON-OPERATING REVENUE (EXPENSES):		
Interest earned	11,938	18,138
Interest expense and fees	(21,872)	(24,383)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(9,934)	(6,245)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(39,161)	(107,922)
CONTRIBUTED CAPITAL	-	2,508,846
NET ASSETS - JULY 1	7,970,538	5,569,614
NET ASSETS - JUNE 30	\$ 7,931,377	\$ 7,970,538

VILLAGE OF CARO
MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2008

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>
EXPENDITURES:		
Construction - roads, streets & storm sewers:		
Contracted services	-	-
Total Construction - road, streets & storm sewers	-	-
Routine Maintenance - streets & storm sewers		
Labor	\$ 20,168	\$39,155
Benefits	7,147	14,293
Equipment rent	37,045	67,453
Materials	14,737	8,420
Contracted services	94,096	42,512
Miscellaneous	676	261
Total Routine Maintenance - streets & storm sewers	173,869	172,094
Trees & Shrubs:		
Labor	-	
Benefits	-	
Equipment rent	-	
Total Trees & Shrubs	-	-
Snow & Ice Control:		
Labor	6,670	
Benefits	2,416	
Contracted services	200	
Equipment rent	18,421	
Total Snow & Ice Control	27,707	-
Sweeping & Flushing:		
Labor	1,266	-
Benefits	518	-
Equipment rent	5,960	-
Total Sweeping & Flushing	7,744	-

VILLAGE OF CARO
MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2008

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>
EXPENDITURES, (Continued):		
Drainage, Signs & Signals:		
Labor	\$ 65	
Benefits	21	
Supplies		
Equipment rent	62	
Contracted Services	<u>241</u>	
Total Drainage, Signs & Signals	<u>389</u>	<u>-</u>
Administration:		
General fund administration	28,419	\$ 22,564
Contracted services	1,008	1,008
Insurance	<u>3,507</u>	<u>3,507</u>
Total Administration	<u>32,934</u>	<u>27,079</u>
TOTAL EXPENDITURES	<u>\$ 242,643</u>	<u>\$ 199,173</u>

**VILLAGE OF CARO
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE</u>	<u>UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>	<u>COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>
August 1, 2005	\$ 985,355	\$ 969,236	\$ 16,119	101.66%	\$ 115,618	-13.94%
August 1, 2006	1,118,841	1,118,651	190	100.02%	123,914	-0.15%
August 1, 2007	1,210,277	1,179,018	31,259	102.65%	117,077	-26.70%



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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Timothy Franzel

Robert L. Tuckey, CPA

September 5, 2008

To the Council of Village of Caro:

In planning and performing our audit of the financial statements of Village of Caro as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Caro's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. During the course of our audit, we observed the following significant deficiency:

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. Although we recognize the Village is making every attempt to do this, we realize that it is not cost beneficial to hire additional staff to segregate duties further.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Financial Statements (Repeat Comment)

Currently, the Village staff prepares the interim financial statements. The staff of the Village does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 5, 2008 on the financial statements of the Village of Caro. Our comments are summarized as follows:

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Office locations in Caro,
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Inventory

At the present time, a perpetual inventory is not being maintained for diesel fuel at the DPW plant. Given the rising cost of diesel fuel, we would recommend that a log be maintained of diesel fuel purchased, fuel consumed including the date of consumption, the vehicle serviced and the employee involved. An actual inventory should be taken monthly/quarterly and reconciled to the perpetual records.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Village of Caro, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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September 5, 2008

To the Members of the Council
Village of Caro

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Caro for the year ended June 30, 2008, and have issued our report thereon dated September 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 25, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Caro are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$69,535. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed adjustments that we consider to be significant and have communicated this to management in our letter dated September 5, 2008.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2008.

Management Consultations with Other Independent Accountants

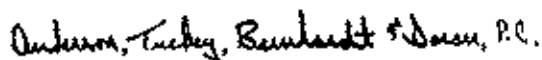
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Council and management of the Village of Caro and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants